



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 7/28/2005

GAIN Report Number: CA5052

Canada

Agricultural Situation

This Week in Canadian Agriculture, Issue 26 2005

Approved by:

Gary C. Groves
U.S. Embassy

Prepared by:

Christina Patterson and George Myles

Report Highlights:

* Closed Border Strengthened Canadian Cattle Industry * Ambassador Wilkins Meets With Ontario Cattlemen on Border Re-Opening * Shortage of Truckers Could Limit Cattle Into U.S.
* Montana Governor Suggests Additional State Inspections on Canadian Cattle * Canadian Potato Plantings Fall * Truckers Strike Hurts Specialty Crops * Crop Update * Ontario Crop Update

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CLOSED BORDER STRENGTHENED CANADIAN CATTLE INDUSTRY: The strategy adopted by Canada to become less dependent on U.S. cattle markets following the closure of the U.S. border in May 2003 has strengthened the Canadian cattle and beef industry. By significantly increasing slaughter capacity and processing more beef into marketable boxed cuts, the twenty six month U.S. border closure to live Canadian cattle has resulted in increased value added processing in Canada and increased investment north of the border by both U.S. and Canadian owned beef processors. So far, according to preliminary data, about 2,500 head of Canadian cattle have been exported to the U.S. since July 18 when the USDA's minimal risk rule came into effect after the ruling by the Ninth Circuit Court of Appeals to lift the preliminary injunction that had blocked the rule's implementation. Many industry observers believe that levels of Canadian exports of live cattle to the U.S. won't reach their pre-BSE annual average of about 1.5 million head because a significant portion of those cattle will now remain in Canada for processing.

AMBASSADOR WILKINS MEETS WITH ONTARIO CATTLEMEN ON BORDER RE-OPENING: U.S. Ambassador David Wilkins met with representatives of the Ontario Cattlemen's Association this week to discuss the recent re-opening of the U.S. border to Canadian cattle. The Canadian Press reported that the ramifications of Canada sending fewer live cattle into the U.S. for processing, thanks to an increased capability for Canada to tap directly into international markets, are not lost on Ambassador David Wilkins. "That's a possibility, but obviously the closed border was detrimental to both Canada and the U.S.," Wilkins told CP. "The administration's position is very clear, that we support open borders and support the flow of Canadian cattle to the U.S." OCA President Ian McKillop said the closure of the U.S. border to Canadian cattle cost the industry an estimated C\$7 billion but also gave rise to a state-of-the-art beef production industry in Canada. "This has made us a very strong competitor with the U.S. on the world market...by processing the animals in Canada, putting the beef in boxes, we have the ability to ship it around the world. There is a silver lining in this."

SHORTAGE OF TRUCKERS COULD LIMIT CANADIAN CATTLE INTO U.S.: Even if there is a renewed demand for Canadian cattle by U.S. beef processors now that the border has re-opened, there is speculation that there may be a shortage of Canadian trucks and truckers to haul them. Many drivers who formerly trucked live cattle to the U.S. prior to the border closure found employment in other industries, so there is speculation that interest in hauling live cattle will increase only gradually and only after there is certainty on the legal front that the border won't close again. Stan Eby, president of the Canadian Cattleman's Association, said a lack of drivers is certainly a restriction, but it will take time to know what effect it could have. Eby noted that some cattle have been exported from Manitoba, Alberta, and Ontario to the U.S. since the ban was lifted. In addition, some observers believe that sharply higher fuel costs will make it less profitable to haul cattle to distant U.S. locations.

MONTANA GOVERNOR SUGGESTS ADDITIONAL STATE INSPECTIONS ON CANADIAN CATTLE: According to press reports, Montana Governor Brian Schweitzer reportedly issued a statement saying that his state animal health officials would conduct an additional fee-based inspection on imported Canadian cattle. At the time of writing it wasn't clear if the Montana inspection plan would apply to Canadian cattle transiting the state or only to those destined for Montana. Later in the week, the press reported that Governor Schweitzer was lobbying other states to impose inspections on Canadian cattle. *Comment: Historical data show very few Canadian cattle exported to Montana due to the fact that there is no major beef plant in the state.*

CANADIAN POTATO PLANTINGS FALL: In its first estimate of area planted to potatoes, Statistics Canada reports that the total area planted to potatoes in 2005 slipped to 159,400 hectares, down 9% from last year. Prince Edward Island and Manitoba showed the largest declines, down 4,200 hectares and 4,000 hectares respectively, but all provinces shared in the 15,900 hectare reduction in total

plantings. Contract cuts for processing potatoes and low prices for the 2004 crop are cited as the major reasons for the drop in Canadian potato area. It was the second year in a row that Canadian potato producers reported reduced plantings.

TRUCKERS STRIKE HURTS SPECIALTY CROPS: According to *the Globe and Mail*, the ongoing strike by truckers at the Port of Vancouver is driving down the price of peas and lentils in Western Canada due to lack of containers to ship crops to key markets in Asia. India and other south Asian countries are the major markets for specialty crops like lentils and yellow peas. Producers in Western Canada rely on truckers to haul shipping containers to and from the docks, but the month long strike has interrupted container movement. Roughly two million metric tonnes of specialty crops are moved from the Prairies for export each year. Of that amount, 40 percent is moved by hopper cars to stations in the Vancouver region, where the commodities are transferred to shipping containers and then trucked to the docks. The rest is shipped by larger rail cars directly to the port. According to the Canadian Specialty Crop Association, since the strike began on June 27th specialty crop shipments have fallen as much as 60 percent. As a result of the strike, containers are backed up in the system, preventing farmers from shipping what is expected to be a bumper crop this year. Those who buy specialty crops from farmers to process for export are having to pay storage fees for railcars that have been stranded by the strike. In addition, buyers are only purchasing crops at a steep discount or at a price which would enable the buyers to absorb the extra cost of shipping through the Port of Montreal. As a result, the price of lentils and peas has tumbled sharply. The trucking strike is the latest blow to an industry that has faced surplus rainfall, summer frost and drought in the recent years. Even a quick resolution to the strike would still mean a four to six week delay in loading containers due to the backlog of containers that have to be cleared. An experienced labor negotiator has been appointed to represent the truckers in the negotiations. There has been no indication by the federal government that it will step in if the strike is not settled quickly.

CROP UPDATE: According to Saskatchewan's provincial department of Agriculture crops in the province continue to hold promise, as virtually all were rated at least 85 percent good to excellent. Warm, dry weather has helped the crops advance, with many areas looking for a final rain to fill the crops. The oat and barley crops are rated 89 percent good to excellent, a slight drop from 91 percent and 92 percent respectively the previous week. Durum also fell from the previous week to 88 percent from 91 percent good to excellent. Only a small percentage of the crops are behind normal development, unlike last year when more than 50 percent of crops were behind normal development. According to Alberta's provincial department of Agriculture, farmers in that province should be able to expect a large crop in 2005, provided enough rainfall is received. Drought stress exists throughout scattered areas in the province, but cooler-than-normal temperatures recently have helped ease those concerns somewhat. In addition, potential disease problems are becoming an issue. Leaf diseases are showing up in some cereals, particularly barley. The impact should be minimal as most producers are using disease resistant varieties. Most of the crops are rated as being in good to excellent condition across the province. Pulse crops have a big yield potential this year due to cooler temperatures during flowering. Warmer weather has hastened crop maturity, which had been delayed by the cool, wet June. According to Manitoba's provincial department of Agriculture, warmer weather has enabled farmers to get back out onto the fields, but disease pressure is expected to be quite high this year. Fusarium head blight is becoming evident in wheat. Rust is also being found in susceptible varieties of wheat and oats. The *Southwest* region of the province a majority of the cereal crops are headed and the earliest have finished flowering. Almost all canola crops are flowering and the earliest ones are coming out of bloom. Flax crops are flowering and have increased branching and tillering. Corn and sunflower crops have progressed with some sunflowers starting to flower. In the *Northwest* region most cereal crops are filling out. Canola is flowering and approximately half is in the podding stage. Crops in some areas of the region are showing very good yield potential. In the *Central* region, winter wheat and barley are turning. The soybean crops are generally looking good. Disease is quite prevalent in this region, with crown rust on oats, tan spot and septoria leaf diseases in wheat and fusarium in winter and spring wheat. Bacterial blight is being found on edible beans and soybeans. Downy mildew is showing up on sunflowers. Crops in the *Eastern* region continue to struggle. The heat has caused cereals, especially barley, to deteriorate and shortened the bloom period in canola. Most cereals are heading out. Corn is patchy with about 50 percent tasseled. Some of the unseeded land is being prepared for seeding of winter wheat.

ONTARIO CROP UPDATE: According to the Ontario Wheat Producers' Marketing Board, the Ontario winter wheat harvest is nearly one quarter completed. Yields are on average 10 bu/acre below original

estimates prior to the June heat wave, but perhaps 10 bu/acre above expectations after the heat wave. A majority of the winter wheat crop delivered to date has been of No. 1 or No. 2 quality. Protein levels on both Soft Red and Hard Red Winter are 1-1.5 % above last year's levels, with estimates of 9.5% protein on the Soft Red and 12% on the Hard Red. Fusarium has not been an issue this year. Sprouting problems due to the recent rains are threatening the Soft White wheat crop. The recent rains have helped the Ontario corn crop, but corn yields are expected to be variable this year. On a province-wide basis the yields are expected to be about average, according to the Ontario Corn Producers Association.

Find FAS on the World Wide Web:

Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

Report Number	Title of Report	Date
CA5051	This Week in Canadian Agriculture, Issue 25	7/22/2005
CA5047	This Week in Canadian Agriculture, Issue 24	7/8/2005
CA5046	This Week in Canadian Agriculture, Issue 23	7/1/2005
CA5044	Agricultural Biotechnology Report	7/7/2005

VISIT OUR WEBSITE: The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto <http://www.usembassycanada.gov>; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: agottawa@usda.gov